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WEEKLY SUMMARY

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11 June 1948

H I G H L I G H T S

The week just ending, which saw dismay and confusion spread through western Europe as a result of the House of Representative's action in cutting European recovery funds, and which produced mounting difficulties for the beleaguered French Government, brought a temporary easing of the Palestine crisis.

The French and Italian governments are concerned over the impact of the proposed appropriation cut on their recently-won and still-precarious stability; France and other countries fear that greatly reduced aid would deliver a major setback to their economic recovery (see page 3). The House action came at a time when French internal disputes were mounting in intensity. The Schuman Government, while continuing its efforts to overcome strong opposition to the London recommendations on Germany, is beset by renewed dissension within its coalition on domestic issues. It still appears probable, however, that the Assembly will acquiesce in the program for Germany already approved by the US and UK governments (see page 5).

Soviet propaganda has seized upon the action of the House of Representatives as evidence that the US is neither honest nor reliable and is attacking the London agreements as measures designed to bring the western zones completely under the domination of the western imperialists. German Communist propagandists declare that the agreements deprive the western powers of the right to remain in Berlin. Concurrently, the USSR has given new indication of a desire to discuss east-west differences, preferably on a US-Soviet bilateral basis (see page 7). Within the USSR, there is evidence of serious economic weakness which is coupled with a desire for renewed trade with the west.

Under the terms of the UN cease-fire resolution, accepted by both the Arabs and the Jews, present fighting lines will be stabilized for the next four weeks. During the past week, therefore, both sides have attempted to improve their positions as much as possible (see page 10). In interpreting the truce, UN Mediator

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Bernadotte has needed to be somewhat indefinite in order to reconcile the Jewish position on immigration with the necessity for freezing the military situation. Consequently, many disputed questions may arise during the life of the truce (see page 11). On the other hand, an important development in inter-Arab relations occurred when Egypt took sides with Transjordan and Iraq in insisting upon Arab acceptance of the truce despite the objections of Saudi Arabia, Syria, and Lebanon. Although a compromise solution of the whole Palestine problem is still unlikely, the unanimity among Egypt, Transjordan, and Iraq may foreshadow acceptance by the three Arab armies now in Palestine of a protracted military stalemate (see page 10).

In South Africa, the new Malan Government does not appear likely, for the time being at least, to adopt policies which differ greatly from those of Smuts (see page 13). In North Africa, however, the disposition of the former Italian colony of Libya has begun to assume a disturbing resemblance to the Palestine problem. The issues developing from this problem may aggravate existing threats to western unity and may further embitter the already dangerously strained relations between the western and Arab worlds (see page 1 of the Appendix).

In the Far East, the Japanese coalition Cabinet may not be able to survive the friction and opposition which have developed over the preparation of a new national budget (see page 15). In Korea, the prospects for a stable and effective government in South Korea remain uncertain so long as the ambitious Rhee Syngman maintains his political dominance (see page 15). With the inauguration of General Xuan as first president, the French-sponsored provisional regime in Indochina has set out toward a very doubtful future (see page 16).

Argentine President Peron is clearly demonstrating that his "third position" is a maneuver to counteract US influence in Latin America by playing off the US against the USSR (see page 18). A Mexican youth group has rejected the Communist line and has ousted two of the group's top leaders who recently were elected to the Latin American steering committee of the Communist-led World Federation of Democratic Youth (see page 19).

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WESTERN EUROPE

The 35% cut in the European recovery program funds proposed by the House of Representatives has spread dismay and confusion among western European peoples and governments. This latest example of what many Europeans consider incomprehensible US legislative legerdemain caused shock and bewilderment. The Communist press gleefully played up the action by the House as further proof that the US is neither honest nor reliable and hinted that it is only a matter of time until the US jerks the rug from under the western European governments. The governments of France and Italy are concerned over the effect such a cut would have on their recently-won and still-precarious stability. France, Norway, Greece, Denmark, and the UK fear that greatly reduced aid will cause a major setback in their economic recovery.

UNITED KINGDOM

The announcement of a possible further cut in British imports, made recently by Chancellor of the Exchequer Cripps, sounded an ominous note to the British public. At present, British imports consist overwhelmingly of foods and raw materials which are essential to the economic recovery and internal stability of the UK. Cripps indicated, however, that a reduction of these imports would be necessary unless a favorable adjustment develops between the cost of imports and the price obtainable for exports. Although the volume of British exports has risen encouragingly, the adverse trade balance has stayed alarmingly high, and the immediate outlook for improving the relationship between Britain's import and export prices does not look bright.

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GERMANY

A rightist trend in western Germany is developing from the gradual disintegration of the moderate political groups. As a result of the realignment of these former Moderate Party elements, the Right will become the dominant active party and the Left will gain a considerable number of dissidents. Although the largest part of the western Germany electorate will continue to wring its political hands in frustration and futility because of an inability to oppose allied occupation policy and an unwillingness to participate in an anti-Communist campaign, this large group of self-disenfranchized Germans will constitute a source of potential strength for the Right. In the absence of allied occupation authority, these political neutrals would rise to support a rightist program which included opposition to foreign interference, a centralized and unified Germany, and exploitation for the benefit of Germany of the US-Soviet struggle.

SPAIN

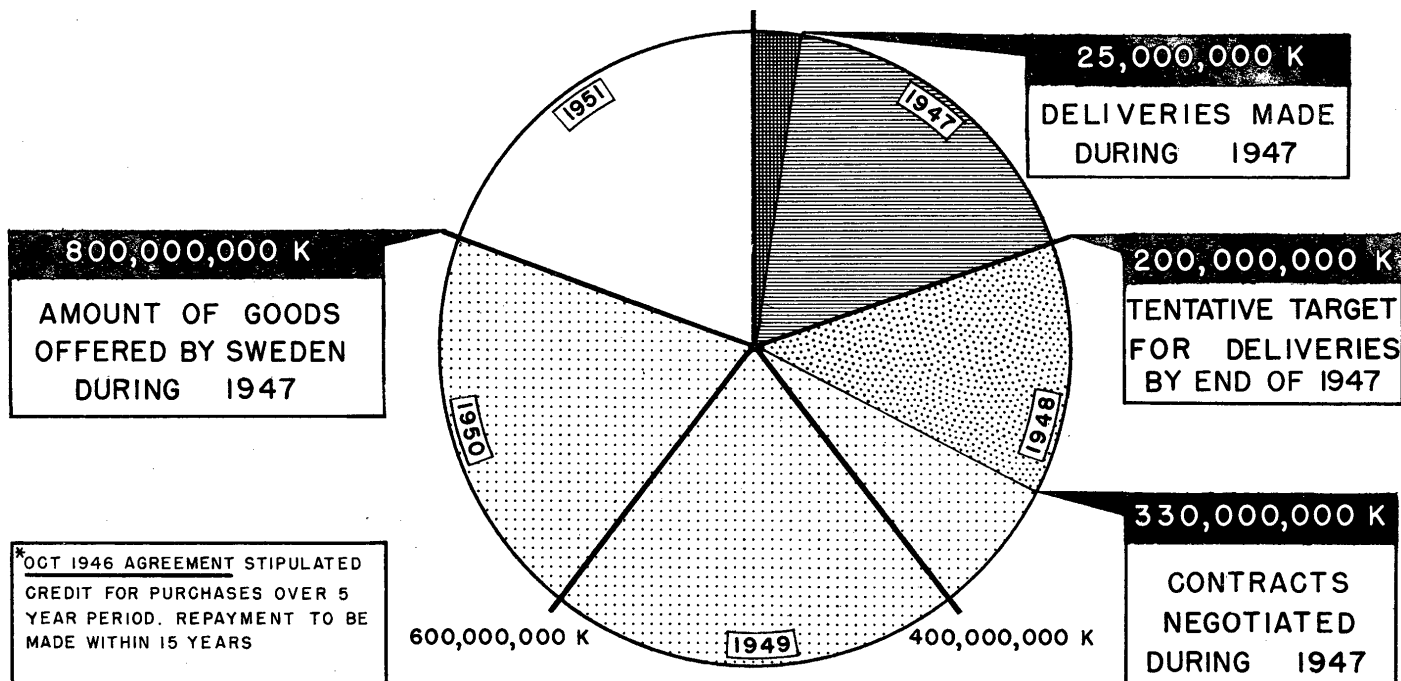
Spain recently added another strand to its Hispanidad web with the conclusion of the Spanish-Philippines friendship treaty in Manila. The treaty, negotiated last summer, provides for an exchange of diplomatic representatives and for future commercial agreements. Although no commodities essential to either nation's economy are included in the agreement, the pact does represent a strengthening of commercial and political ties between Spain and the Philippines and thereby furthers the concept of Hispanidad, which at present has anti-democratic, anti-US overtones.

SWEDEN

Further orientation of Sweden's economy into the Soviet orbit will take place during the next few years unless Sweden re-establishes the prewar trade pattern which included extensive trade with Germany and the UK. Under the terms

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SWEDISH-USSR CREDIT AGREEMENT STATUS AT END OF 1947 *



TOTAL CREDIT 1,000,000,000 KRONOR
(\$ 278,000,000)

NOTE: 3.60 KRONOR (K) = 1 US DOLLAR

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SWEDEN

of the 1946 Swedish-Soviet agreement, Sweden offered to extend credit totalling one billion kronor during a period of five years (see chart opposite). Sweden's deliveries to the USSR during 1947 were far behind expectations. If Sweden is unable through the European recovery program to renew multilateral trade relations with western Europe, the Swedes will be forced to rely on the USSR as a market for manufactured goods and a source of supply for raw materials. Thus, in effect, Sweden would be forced to turn away from the west and become further oriented toward the Soviet sphere. This penetration of Sweden's economy would be the prelude to the political and propaganda penetration which is next in sequence in the classic Soviet strategy of aggression.

The UK has told Sweden that deliveries of British radar equipment may be prevented, or at least delayed, by British domestic requirements. The postponing of these deliveries, at the cost of financial sacrifices, represents another effort by the UK to push Sweden off its present dead center concerning political and military cooperation with the west and conforms to US Ambassador Matthews' recommendations concerning such action by the western powers.

FRANCE

The program for Germany agreed upon at the London Conference has been approved by the US and UK Governments but has not yet been formally sanctioned by the French Assembly. The agreements were discussed and accepted with reservations by the Foreign Affairs Committee of the French Assembly and will be debated in the Assembly before the French Government takes final action. Although many French political leaders have expressed their strong opposition to the London recommendations and the Assembly debate will probably be prolonged and heated, ultimate French acceptance of the agreements in principle is apparently assured. The most vehement attacks on the recommendations have been made by the extreme Left

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FRANCE

and Right; De Gaulle is even attempting to unseat the Schuman Government on the issue. Socialist opposition is based largely on a belief that the proposed program would accentuate the division between the western and eastern zones, thus defeating the Socialist objective of a unified Germany. There is still concern in France that the recommendations do not meet French security requirements.

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EASTERN EUROPE

The latest Soviet "peace" approach to the US has been conducted by the new Soviet Ambassador to China. Ambassador Roschin opened his first call upon US Ambassador Stuart by declaring that Soviet hopes for improved relations with the US had risen as a result of the Smith-Molotov exchange and the universal desire for peace. Roschin's action tends to substantiate the belief that the USSR actually desires to discuss east-west differences, preferably on a bilateral US-Soviet basis, and that it did not enter into the Smith-Molotov exchange for propaganda purposes only.

The USSR recently softened its obstructionism by revising its estimates on the composition of the UN armed forces to correspond more closely with those of the other major powers. This latest conciliatory move by the USSR may break a two-and-a-half year log jam in the Military Staff Committee of the United Nations. While the Soviet action might conceivably lead to a genuine compromise, it is more likely a characteristic tactic designed primarily to keep negotiations alive rather than to achieve agreement.

SOVIET UNION

The shortage of Soviet "investment capital" and other internal weaknesses of the Soviet economy are indicated by the current drive to increase labor productivity and to eliminate misapplication of funds and wasteful practices. Mechanization of a number of industries is being pushed and greater profits are being demanded, ostensibly in order to place state enterprises on a self-supporting basis. The Kremlin's desire to improve the Soviet internal economic situation is indicated by the appointment of Politbureau member Kosygin to head the Finance Ministry, which wields great power over production and is responsible for financial matters. A thorough shakeup of key personnel in the Ministry of Finance has also recently taken place. These, and other recent attempts to correct serious internal shortcomings of the Soviet economy, are coupled with current indications of a Soviet desire for renewed trade with the western world.

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TRIESTE

The return of Trieste to Italy, which the US has again suggested to the USSR, confronts the Kremlin with a choice of several alternatives for action. The USSR may accept the US proposal to discuss the procedural aspects of the problem if for no other reason than to make use of another international sounding board for Soviet propaganda. Once the discussions are under way, however, the USSR can stall indefinitely, or it can proceed to a formal agreement for the return of Trieste. There are several considerations which may influence the USSR to agree to the return of Trieste to Italy. The return of the territory to Italy would eliminate the need for US and UK troops there, entirely desirable from the Soviet view. Also, the Kremlin may feel that the recently waning Communist influence in Trieste eliminates the possibility of capturing that area so long as US-UK troops remain and economic conditions improve. In addition to these purely local and tactical considerations, the USSR could attempt to bargain with the US by insisting that Trieste could only be considered as a part of the urgent overall settlement of differences between the east and the west. Thus, any concessions by the USSR on Trieste would probably be contingent upon US concessions elsewhere.

GREECE

The Markos "peace proposals" have left the Greeks unmoved. The domestic press interprets the proposals variously as a trick to cool the ardor of the Greek Army, as an initial step in a so-called Soviet peace offensive, or as an acknowledgement of Communist weakness. The Greek people themselves have with uncommon unity supported the Minister of War's unofficial reiteration that the government will not consider a negotiated peace but will insist on unconditional surrender by the guerrillas as the only way of ending hostilities. A more receptive public reaction to the Markos proposals would not have been surprising even though by now the Greeks fully recognize the impossibility of reaching an honest compromise with the Communists. It might have been expected that many people, after eight years of war, would be willing to accept future political risks in exchange for immediate release from terror and bloodshed. The unanimity of the public reaction may well inspire greater cooperation within the government itself when parliament reconvenes next week.

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CZECHOSLOVAKIA

The confidence of the Communists in their hold on Czechoslovakia has been demonstrated by the alacrity with which they filled the two top government positions with prominent party wheelhorses, Gottwald and Zapotocky. The days of the political "fronts" and the Communist "moderates" are now numbered. Antonin Zapotocky, who succeeds as premier following Gottwald's elevation to the less active role of president, is more radical than Gottwald and can be expected to apply Communist methods ruthlessly. One of the first "moderate" figures whose position may be further undermined by Zapotocky's rise is Foreign Minister Clementis who, although a Communist, may be considered too restrained in his conduct of foreign affairs.

FINLAND

The Soviet reduction of Finland's reparations by half and the extension of a \$5 million credit, the latest moves by the USSR in attempting to influence the coming Finnish elections, will probably fail to decrease by any considerable extent current anti-Communist sentiment in Finland. The Communist bloc is still unlikely to do more than maintain its strength (26% of the seats) in the Diet. Because of this unfavorable prospect, the Communists may feel impelled to make pre-electoral attempts to embarrass the government, although serious strikes or disorders would be in apparent contradiction to the conciliatory action by the USSR in reducing reparations.

SECRET**NEAR EAST - AFRICA****ARAB STATES**

An important new development in inter-Arab relations may be indicated by the insistence of Transjordan, Iraq, and Egypt on Arab acceptance of the Security Council's Palestine truce resolution over the objections of Saudi Arabia, Syria, and Lebanon. In the past, Egypt has backed Saudi Arabia and Syria in their opposition to the territorial ambitions of the Hashimite rulers of Transjordan and Iraq. It now appears that Egypt (possibly because of concern over its large military commitments in Palestine) would be ready to cooperate with the UK-backed Hashimite states in bringing the war to an end. Although the irreconcilability of Arab and Jewish demands make a compromise solution unlikely, the three major Arab armies now in Palestine may accept a military stalemate. Israel would be permanently blockaded and desultory fighting would continue; the Arabs would make no major attempt to invade the Jewish areas along the coast and in Galilee. The Egyptian, Transjordan, and Iraqi governments would pacify public opinion at home by placing the blame for inaction on UN opposition to the war and on the failure of Saudi Arabia, Syria, and Lebanon to give effective support to the Arab armies in Palestine. Provided that internal security were maintained in Egypt, Transjordan, and Iraq, the UK would not be greatly disturbed by political upheavals in Syria and Lebanon or by the isolation of Saudi Arabia, because the British position in these three countries has never been strong. Continued Hashimite-Egyptian cooperation would dangerously weaken Syria and Saudi Arabia in the Arab world and would increase the possibility of Hashimite aggression against either country or both.

PALESTINE

The ambiguities of the Security Council's cease-fire resolution have complicated efforts to negotiate a cessation of hostilities in Palestine. Foremost among the problems of

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interpretation is that concerning the ban on the introduction of "fighting personnel" into the warring states. The UK construes this phrase to mean "men of military age"; Israeli spokesmen insist that it means trained soldiers. The Jewish interpretation, while legally sounder than that of the UK, appears inconsistent with the basic purpose of the cease-fire: to prevent either side from improving its position during the truce period. The British, who have committed themselves to support strict construction of the immigration provisions, have attempted to persuade the US to follow suit and to extend "guidance" to the mediator, Count Bernadotte. Count Bernadotte sought enlightenment from the Security Council but was told that the SC would not attempt to construe the phrase until the efforts of the mediator were challenged. Count Bernadotte finally reached an interpretation which would: (1) permit males of military age, other than fighting personnel, to immigrate in such numbers as in the mediator's discretion would not affect the military status quo; and (2) provide safeguards to prevent the military training or recruitment of these immigrants into the armed forces. Both Arabs and Jews have accepted this attempt to reconcile the Jewish position on immigration with the necessity of freezing the military situation. The cease-fire will go into effect on 11 June. The indefinite terms of Bernadotte's interpretation, however, will almost certainly give rise to many disputed questions during the life of the truce.

Arab and Jewish forces have both been trying to improve their positions in Palestine, in view of the fact that all fighting fronts and lines will remain stabilized during the four-week period of the truce. During the past week, Arab troops attempted to hold their recent gains, and Jewish forces assumed the offensive, directing their main effort toward piercing the Arab triangular stronghold in central Palestine, where they attacked Jenin and Tulkarm. Arab and Jewish forces are deadlocked at the approaches to Tel Aviv. The Arab Legion blockade of the only supply road to Jerusalem will be continued, although

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PALESTINE

the delivery of essential civilian supplies by the International Red Cross will be permitted during the cessation of hostilities.

TURKEY

The shakeup of the Turkish Cabinet, which is still headed by Premier Saka, is clearly intended to strengthen the government's position in the National Assembly by-elections to be held in the near future. The government has been under heavy criticism, particularly for its mismanagement of economic affairs (resulting, for example, in shortages of bread and sugar and the continued high cost of living) and for governmental attempts to shield high officials accused of misconduct. The government has evidently realized that its answers to public criticism have not been sufficiently persuasive and, although only a few seats are at stake in the forthcoming elections, has judged it prudent to remove the less popular members of the Cabinet.

IRAN

Soon after Ibrahim Hakimi assumed leadership of Iran's government last December, he mildly observed that he had once been prime minister for one month, once for three months, and probably would not last any longer this time. On 8 June, six months later, Hakimi's uneasy tenure of office was finally brought to an end by the Majlis. The net result will probably be to make former Prime Minister Qavam more of a key man than ever. The Shah may attempt to set up a new cabinet on his own, but it is unlikely that he can organize sufficient support in the Majlis for such a venture to last long. Sooner or later, therefore, he will probably have to acquiesce in a regime either headed by Qavam or supported by him.

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INDIA

The reported clash between Indian and Pakistan regular troops in Kashmir has failed to provoke open war, but the situation remains critical. India would doubtless like to control Kashmir before the UN Kashmir Commission arrives. Advancing Indian forces are likely in the near future to come in contact with elements of the Pakistan Army which have taken positions some 20 to 40 miles inside Kashmir's western boundary, along a 100-mile front, in support of the Azad (Free) Kashmir forces. Although neither dominion appears disposed to start a general conflict, a situation thus may develop in which either India or Pakistan might feel constrained to declare war.

SOUTH AFRICA

The newly-elected South African government of Prime Minister Malan will probably not actually undertake the drastic changes that might have been expected from Malan's long anti-British political record. In the present situation, the Malan Government will probably be deterred from action much different from the previous Government by: (1) its slim four-vote parliamentary majority which makes it necessary to conciliate the English-speaking vote; and (2) the obvious economic advantages for South Africa of its close ties with the UK. A financial situation which has markedly worsened in the last three weeks will also be a force for political moderation. Malan's cabinet appointments have placed moderates in key positions. His inaugural speeches have affirmed South African allegiance to the British Commonwealth although, in slightly isolationist overtones, he has warned against interference with the Union's sovereignty and independence. Malan has exhibited further isolationist tendencies by denying "any measure of accountability to the United Nations" in the Union's administration of South-West Africa. It must be remembered, however, that neither of these statements represents in itself a marked departure from Smuts' policies, which always had to take account of the Union's isolationist tendencies. With regard to Empire

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SOUTH AFRICA

defense, Malan's policy is likely to mean an honoring of all existing commitments, including free British use of the Simonstown Naval Base. Malan will probably take a less cooperative attitude than Smuts in working the existing machinery of imperial defense and in entering into new commitments such as would be involved in a program for the decentralization of British manpower and industry among the various Dominions.

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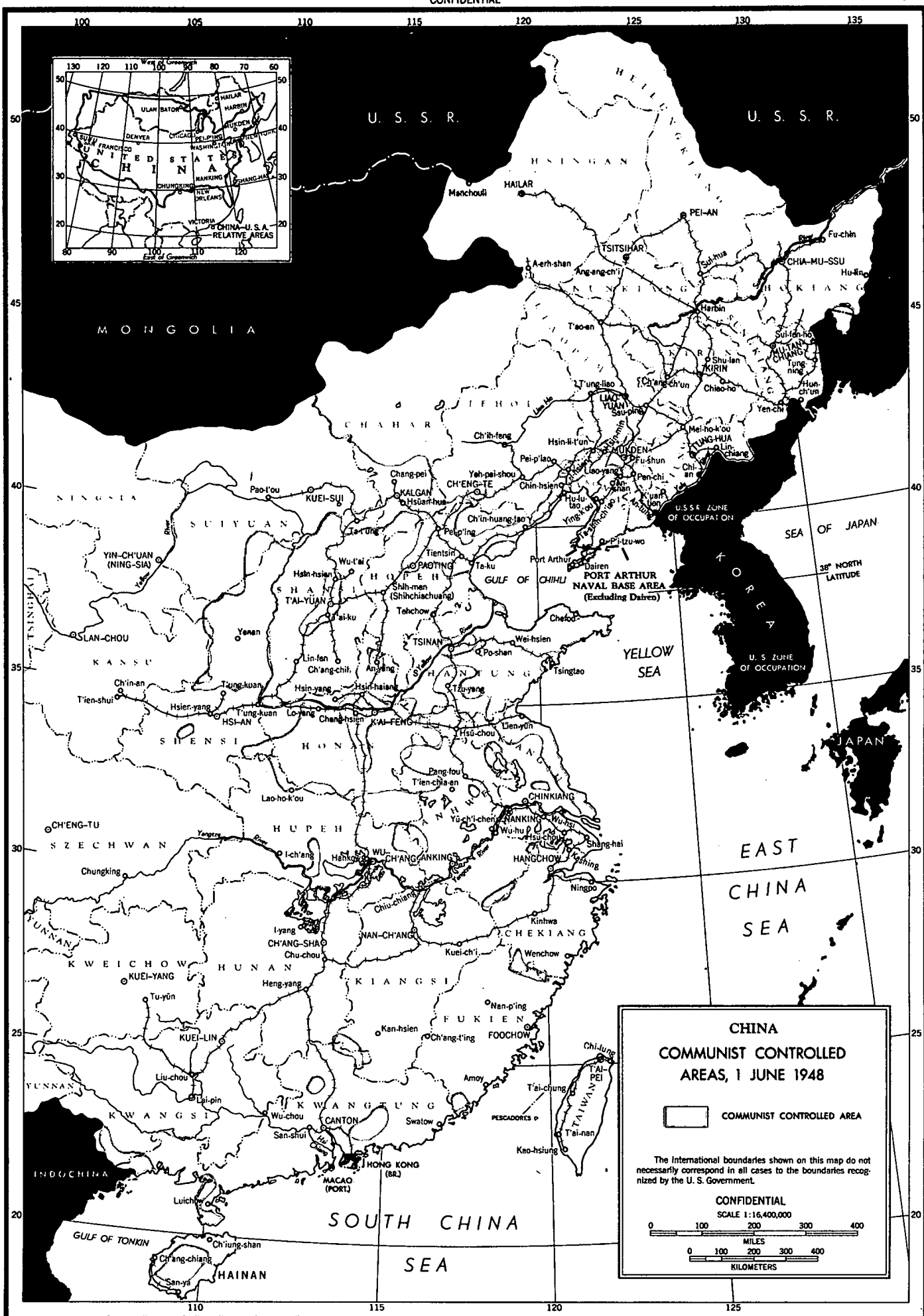
KOREA

The existence of the new Korean Government will be most precarious if Rhee Syngman, who regards himself as the chosen leader of the Korean people, is able to seize effective control. Despite the strength of Hankook potential opposition to his program, Rhee has behaved since the elections as though mere formal confirmation was all that is required to acknowledge his leadership. His overweening egotism could easily jeopardize any program of military or economic aid forthcoming from the US, and his vanity make him an easy prey to self-seeking adventurers desirous of exploiting Korean markets and resources. Lack of a US guarantee in support of the South Korean regime against aggression from North Korea, coupled with the knowledge that there is no place in Rhee's regime for the moderates and non-partisans now occupying responsible posts in the interim government, may cause many of the latter to resist his regime or to refuse to associate themselves with a government totally incapable of opposing the ever-present Communist menace.

JAPAN

The uneasy coalition Cabinet of Premier Ashida seems about to fall. The refusal by the US Senate of funds for a \$150 million reconstruction project has damaged Ashida's prestige and has necessitated changes in the national budget which are distasteful to certain coalition members and may prove to be equally so to the Japanese people. In order to balance the budget, as demanded by SCAP, it will be necessary for the Cabinet: (1) to declare a moratorium on the interest on war bonds; and (2) to make a three-fold increase of government railway and communications rates. Although the Cabinet may survive these formidable budget issues, it probably cannot survive the scandalous investigations of certain government officials in connection with campaign

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JAPAN

contributions and the hoarding of enormous quantities of war materials. If the present Cabinet falls, the Liberals--the leading opposition group in the Japanese Diet--may emerge as the leaders of a new government. With the support of sufficient numbers of dissident elements from other parties, however, Japan might then be governed by a one-party cabinet which would eliminate many of the weaknesses which have beset its present regime.

CHINA

Recent Communist military successes in Shantung have apparently convinced Chinese Nationalist circles there that the situation is hopeless. Shantung leaders despair of any amicable and helpful relations with Nanking. Communist units from the Weihsien area, from north of the Yellow River and from the Central China sector, are gathering in southwest Shantung and along the Honan-Anhui-Kiangsu border west of Hsuehou. Action along the Tientsin-Pukou rail line from that city to Tsinan, Shantung provincial capital, has resulted in Communist interdiction of the railway above and below Tzuyang as well as in the capture of Taian and Tawenkou, important rail towns. Barring an unforeseen and basic reversal of National Government policy toward Shantung and the provincial leaders, or direct US aid to the province, the possibility is quite slim that the Nationalists can hold any of the province except the port of Tsingtao.

INDOCHINA

The inauguration of Nguyen-van-Xuan as first president of the Provisional Central Government of Vietnam has aroused considerable speculation as to the underlying motives of the principal negotiators. An agreement which was concluded at the inauguration ceremonies, in an atmosphere of extreme tension and in the midst of elaborate security precautions, formally recognized Vietnam's independence within the framework of the French Union. French officials in Indochina insist

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that Xuan is completely on his own except for whatever advice and assistance he may specifically request. In view of the fact, however, that the conclusion of important diplomatic, economic, and military agreements have been postponed, it is apparent that the French are reluctant to grant firm concessions to a government whose future is so doubtful. Despite his lack of confidence in Xuan's regime, ex-Emperor Bao Dai is reported to have encouraged the formation of the government in order to rid himself of certain of his personal followers whom he no longer trusts. French High Commissioner Bollaert is said to have encouraged the government's formation in order to show concrete results from his policy when he returns to France, and French military officials are thought to have been stalling for time "prior to another major attempt at military conquest." The uncertain future of the Xuan Government is emphasized by unmistakable indications at the inaugural festivities of the tremendous gulf between the newly-created Government and the peoples whom it purports to represent.

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WESTERN HEMISPHERE

ARGENTINA

It is now clear that President Peron's "third position" is an established, flexible instrument of foreign policy currently in use in Argentina and abroad to counteract US influence in Latin America by playing the US off against the USSR. The "third position" propaganda line has appeared with sufficient frequency and in such form as to demonstrate that it is not merely an expedient adopted to appease domestic opposition to Argentine collaboration with the US, as Peron has frequently maintained to US representatives. On the contrary, Peron's own speeches directed to other Latin American republics sharply condemn "capitalist imperialism", and the recently-intensified, vigorous, and systematic labor-propaganda campaign for foreign consumption has employed anti-US invective scarcely distinguishable from Communist propaganda, while paying mere lip service to anti-Communism. Moreover, Peron's frequent assurances to US representatives that he will declare war immediately on the side of the US in the event of "imminent and inevitable" US-Soviet hostilities have been markedly emphatic when significant issues have arisen between the US and Argentina. Peron laid notable emphasis on these assurances: (1) when Argentina unsuccessfully sought US support for Argentine claims to the Falkland Islands at the Bogota Conference; and (2) when pressed by the US for his true intentions vis-a-vis the Caribbean, the strategic exploitation of Hemisphere petroleum, and the conditions under which US business is to operate in Argentina.

The Argentine Government, despite its anti-US labor policy, is seeking US support for the election of an Argentine government representative to the Governing Body of the International Labor Organization (ILO) Conference in San Francisco in June and July. At the 1947 conference in Geneva, the Argentine government delegate was elected vice president of the conference through a similar diplomatic approach. Nevertheless, he tried steadily to create division between the US and Latin American countries.

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ARGENTINA

An Argentine government representative on the Governing Body would presumably take similar action this year, because the Argentine labor policy remains unfavorable to the US. The Argentine labor delegate (as distinguished from the government delegate) to the forthcoming ILO Conference, a high official of the government-controlled labor federation (CGT), has well-known anti-US tendencies and has taken part in Argentine attempts to discredit and disrupt the Inter-American Labor Confederation which was organized with AFL support to provide a Western Hemisphere anti-Communist international labor federation.

MEXICO

The President and Secretary General of the Confederation of Mexican Youths--an affiliate of the Communist-led World Federation of Democratic Youth--apparently have been repudiated by a majority of their fellow officers for extreme Communist tendencies. The ouster may also have been encouraged by the widely-publicized claims of other Mexican and Cuban youth groups that many non-Communist groups had been "duped" into attending the Communist youth congress sponsored by the World Federation. The majority officer group will seek to make the expulsion final at a national congress which has been called for 9 September. The two ousted officials recently had been elected to the permanent steering committee of the Latin American branch of the World Federation. Having lost their position in the national organization, these men cannot now be expected to command much international prestige.

PARAGUAY

The 3 June police-army coup in Paraguay, which forced the resignation of President Morinigo and the naming of Supreme Court President Juan Manuel Frutos as provisional president, was touched off by Morinigo's attempt to replace the mayor and

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PARAGUAY

the chief of police of Asuncion. Police Chief Rodriguez refused to turn over his post and rallied the leaders of the Guion Rojo (the extremist faction of the dominant Colorado Party) whom he considered reliable. Among this group was Major Canata, who seized command of the cavalry division (principal component of army forces near Asuncion) which recently had shown signs of shifting from a neutral to a pro-Morinigo position because of impatience with Gonzalez' inability to unite the Colorado Party. President Morinigo was held prisoner in the palace, the entire cabinet resigned, and certain ministers and army officers were placed under arrest. On 9 June, Morinigo was given 24 hours to leave the country. The situation in Paraguay was further complicated by the serious illness of provisional President Frutos. Various leaders in Frutos' government decided that President-elect Gonzalez (who is to take office on 15 August) should assume the presidency immediately if Frutos became incapacitated.

Although the Guion Rojo had the initial advantage up to 9 June, it was not clear whether that group or the more moderate Frutos faction would be the chief beneficiary of the coup. In the event of Frutos' death, a development which would leave the presidency vacant, the enemies of the Gonzalez faction would have an opportunity to prevent Gonzalez from coming to power. Hence it is quite possible that the expatriation of Morinigo was a Guion Rojo maneuver to remove the most likely leader of these opposing factions. At present, the Gonzalez faction appears to be in the strongest position; however, reports are too confusing to permit accurate evaluation.

In any event, it seems unlikely that any group that assumes power will bring about a democratic government in Paraguay. It is also unlikely that any future government will deviate from the Morinigo administration's pro-US policy, through which Paraguay hopes to obtain financial and diplomatic assistance in order to counter Argentine influence.

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A P P E N D I X

THE PROBLEM OF LIBYA'S FUTURE

The disposition of Libya, one of Italy's former African colonies, although not yet a critical issue, already bears a disturbing resemblance to the Palestine problem. The same major factors exist: (1) an increasingly nationalistic Arab majority, backed by the Arab League, which demands independence; (2) a colonizing minority (Italian instead of Zionist) that has settled along the coast and promoted western skills and development; and (3) a great power (the UK) that would like to control part of the area for strategic reasons.

Public opinion in both provinces of Libya itself favors immediate independence, though either territory would be willing to accept outside assistance in establishing its government. Cyrenaica desires an hereditary monarchy under Emir Said Idris, the leader of the powerful Senussi tribe, while Tripolitania wants a constitutional government along European lines. The UK, which promised the Senussi during the war that Italian rule would never be reimposed on them, feels that the best solution would be a limited British trusteeship over a united Libya under the rule of Said Idris who is agreeable to such a solution.

The Italians naturally wish to regain control of their former colonies. They are supported by the French, who are fearful lest the grant of independence to Libya should result in mounting pressure for independence from the Arabs of the French North African colonies. The USSR, in order to promote unrest in the area as well as to curry favor with both the Italians and the French, is also urging the return of the colonies to Italy. The Arab League, because of its preoccupation with the Palestine issue, has not yet taken a very active part in the discussion. However, it advocates independence

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for all the Arab lands of North Africa; and if the Palestine issue ever dies down, the Arab League will certainly support the Arabs of Libya as wholeheartedly as it is now supporting the Arabs of Palestine.

The deputies to the Council of Foreign Ministers will attempt to resolve these complex differences before 15 September. If, as is probable, they are unable to reach agreement, the issue will be referred to the General Assembly. There, the USSR is certain to encourage the divergence of opinion already existing between France and Italy on the one hand, and the UK on the other. The attitude of the US, which to date favors a short UK trusteeship followed by early independence for Libya, may well be decisive in the recommendations of the General Assembly. However, the entire issue will aggravate the existing threats to western unity and may further embitter the already dangerously strained relations between the western and the Arab worlds.

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1. The President
2. Secretary of State
3. Chief of Staff to Commander in Chief
4. Secretary of Defense
5. Secretary of the Army
6. Secretary of the Navy
7. Secretary of the Air Force
8. Chairman, National Security Resources Board
9. Executive Secretary, National Security Council
10. Assistant Secretary of Navy for Air
11. Chief of Staff, U.S. Army
- 12,13,14. Chief of Naval Operations
- 15,16,17. Chief of Staff, U.S. Air Force
18. Director of Plans and Operations, General Staff, U.S. Army
19. Deputy Chief of Staff (Operations) U.S. Air Force
20. Deputy Chief of Naval Operations (Operations)
21. Director of Plans and Operations, U.S. Air Force
- 22,23,24. Special Assistant to Secretary of State, Research & Intelligence
- 25,26,27,28,29. Director of Intelligence, General Staff, U.S. Army
- 30,31,32. Chief of Naval Intelligence
- 33,34,35,36,37. Director of Intelligence, U.S. Air Force
38. Director of Security and Intelligence, Atomic Energy Comm.
39. Executive Secretary, Military Liaison Committee, Atomic Energy Commission
- 40,41,42,43,44. Chief, Acquisition & Distribution Division, OICD, Dept. State
45. Director, Federal Bureau of Investigation
46. Secretary, Joint Chiefs of Staff
47. Chief, Policy Planning Staff, Dept. State
48. Secretary of State (Attention: Mr. Barnes)
49. Deputy Director, Joint Intelligence Group, Joint Staff
- 50,51. Secretary, Joint Intelligence Group, Joint Staff
52. U.S. Air Force Representative on Joint Strategic Survey Committee
- 53,54. Secretary, State-Army-Navy-Air Coordinating Committee

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